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**King County  
International Airport**  
Department of  
Construction & Facilities Management  
P.O. Box 80245  
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August 6, 1997

Colin English  
Airports Safety and Standards Intern  
1601 Lind Ave. S.W.  
Renton WA 98055-4056

Dear Mr. English

Thank you for your letter and the draft of the report section covering King County International Airport. I have made some minor edits and have included a copy of the report with my edits.

You asked some questions about oversight over AIP money and how diversion investigations are initiated. AIP money is awarded to specific Airport projects. The grant awards are budgeted directly to these projects. As the project progresses, we make drawdowns through the FAA's automated reimbursement system. A limited number of Airport personnel are the only County employees who have access to this system. It would not be possible for other County agencies to draw funds from the FAA. The Airport engineer has the responsibility for monitoring the projects and determining when to drawdown the FAA funds.

The FAA relies on the annual State Auditor's audit to look at how AIP funds are used. An audit is required on any grant in excess of \$1,000,000. For grants under this amount, the State Auditor will review them when they visit us on their normal audit cycle, which may occur less frequently than annually. An audit can, and has in the past, been prompted by an anonymous complaint to the Auditor that possible diversion has or is occurring. Followup by the auditors on any prior findings is generally done as part of the next regularly scheduled audit. We no longer receive project close out audits by the FAA.

I hope this clarifies some of these issues for you. If you have questions, please call me at 296-7430 or Ruth Hultengren at 296-7423.

Sincerely,

*Cynthia Stewart*

Cynthia Stewart, Manager  
King County International Airport



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This history of previous budget requests and actual events gives a historical perspective for trends, conditions, and expectations to plan by. The Office of Budget & Strategic Planning then makes recommendations to the County Executive on the budget, which is then finally passed to the County Council. The 13 member partisan County Council may then approve, amend, or reject the submitted budget plan. <sup>these steps</sup> This provides the <sup>new</sup> basis for the external review of budgets and planning for the airport. (Interview, 07-20-97)

King County Airport operates <sup>as</sup> an Enterprise Fund, which requires the airport to be <sup>financially</sup> self-sustaining. To do, this all revenues generated by the airport are put into an <sup>ing</sup> Operations fund and remain there unless withdrawn for use in capital projects or operations expenses. To facilitate tracking of Grant funds and self generated funds used for capital projects, each capital project has its own budget report to indicate specific costs associated with that project. (Interview, 07-20-97)

The airport faces regular audits by the County, and on occasion, audits by the State of Washington. There are three possible reasons that the airport may be audited by the County or State. 1) It may be a scheduled audit. 2) The audit may be a complaint based investigation to verify reports of possible diversions. Or, 3) the audit can be a follow up investigation specifically related to a prior complaint to ensure compliance, or that appropriate corrective action has taken place. (Interview, 07-20-97) A fourth type of audit is conducted by the FAA during close-out procedures of a capital project that involves AIP funds.

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### Non-Commercial Service Airports

As stated in the introduction, commercial service airports are required to file financial reports as part of the AIP requirements of 49 Title U.S.C. Section 47107 (a)(15). There are however some large and prosperous airports in the Pacific Northwest Mountain Region that do receive AIP funds and do not file Operating and Financial Summary Reports and Financial Government Payment Reports with the Secretary of Transportation because they are not commercial service airports. The defining criteria of a commercial service airport, under the AIP requirements, is any airport that enplanes 2500 passengers per year. Cargo operations and unscheduled charter services are not included as criteria for being a commercial service airport.

King County International Airport, also known as Boeing Field, is one such airport. What is the oversight structure to ensure that AIP grant money is used for airport projects? How are revenue diversion investigations initiated if they don't have to report directly to the Secretary?

### Who Does King County Airport Answer To?

King County International Airport, as part of the Department of Construction & Facility Management, submits an annual budget plan to the <sup>King Budget</sup> ~~Deputy~~ County Executive Office.

The budget <sup>includes</sup> ~~is included as part of~~ a five year outlook plan for projected revenues and expenses. The Airport Administration also includes information on the previous year's projected revenue and expenses, and compares it to actual revenues and expenses.

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Why A Grant Close-out Audit?

The close-out of a grant is the process by which the FAA and the sponsor (in this case King County) perform the necessary final administrative actions to complete all the requirements of the grant agreement. (AIP Handbook, 134) The close-out process will usually require ~~the an~~ examination of three areas - project work completion, administrative requirements, and financial requirements - to ensure that the grant agreement conditions have been met.

The Office of Management and Budget circular A-128, Audits of State and Local Governments, implements the Audit Act of 1984 (P.L. 98-502) This act requires any State or Local government that receives \$100,000 or more a year in Federal funds to have an audit. The audit is made by an independent auditor and shall cover the entire financial and compliance operations of that government body. (AIP Handbook, 136) Since most sponsors receive grants from more than one Federal agency, OMB assigns a cognizant agency at the department level to carry out the audit responsibilities. The completion of an audit does not free the sponsor from submitting the required financial reports to the Secretary, if that sponsor is in anyway required to do so. In the case of King County Airport, the OMB Circular A-128 requirement does create a Federal level of oversight for use of grant funds for airport projects.

Because King County Airport is not certified as an commercial service airport it is not required to report financial status to the Secretary of Transportation. However, it does have oversight from the County Council in budgetary and planning issues, and from the FAA in matters associated with Federal funds issued under Grant programs.

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